

Results for the six months ended 30 June 2011

Friday, 22 July 2011

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Overview

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Overview

- Loss before income tax of \$24.2m (2010 profit: \$115.5m)
- Gross written premiums decreased 1.7% to \$924.8m (2010: \$940.6m)
- Combined ratio 108% (2010: 90%)
- No rate change on renewal business (2010: 2% reduction)
- Prior year reserve releases of \$88.6m (2010: \$65.9m)
- Investment income increased to \$22.5m (2010: \$8.5m)
- Interim dividend up 4.2% to 2.5p

Large losses in the first half year

- Reported estimates of first quarter losses of \$154m arising from catastrophic events in Australia, New Zealand and Japan remain unchanged
- Further tornado events occurred in Alabama and Missouri. Market estimates for these losses are between \$15bn and \$25bn. Beazley's share is around \$29m
- Combined estimated market losses from these events are between \$75bn and \$85bn
- Japan alone is the one of the largest insured events ever experienced by the insurance market
- Beazley losses were mainly in our Reinsurance and Property divisions
- Significant rate increases in the loss affected classes
- Catastrophe reinsurance programmes renewed on 1 April 2011 under similar terms as previously

Business update

- Acquisition of Australian managing general agent, writing group disability insurance to compliment our life, accident and health division. Estimated to generate gross written premiums of \$32m in 2011
- Fidelity and crime insurance is introduced to broaden our specialty professional and management liability lines presence in the US
- Established an environmental risks underwriting capability at Lloyd's to compliment our existing team based in Philadelphia
- Maintained our position as the lead market in data breach insurance by making significant coverage enhancements
- Changes to executive team and board composition

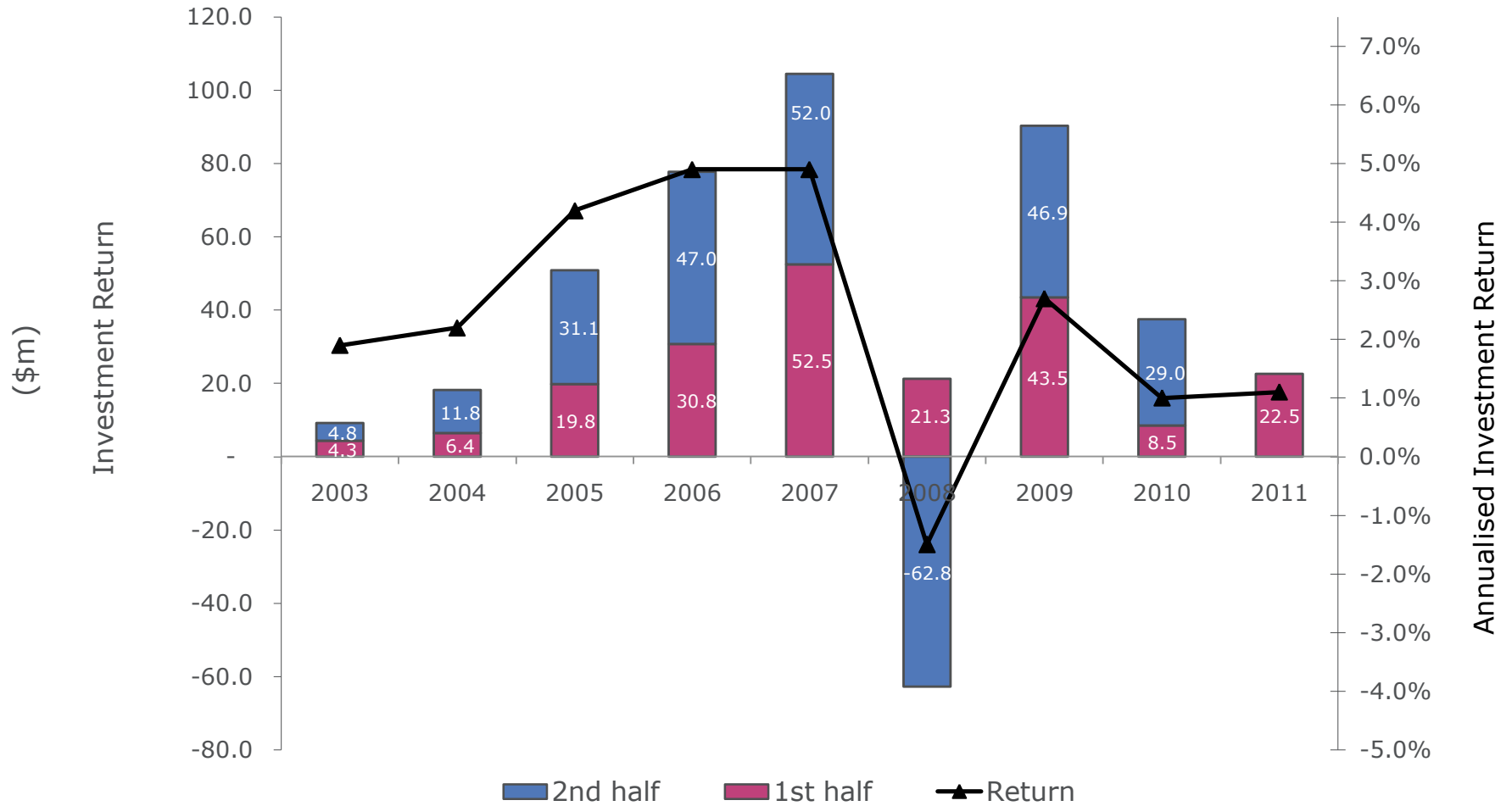
Financials

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Six months financial performance

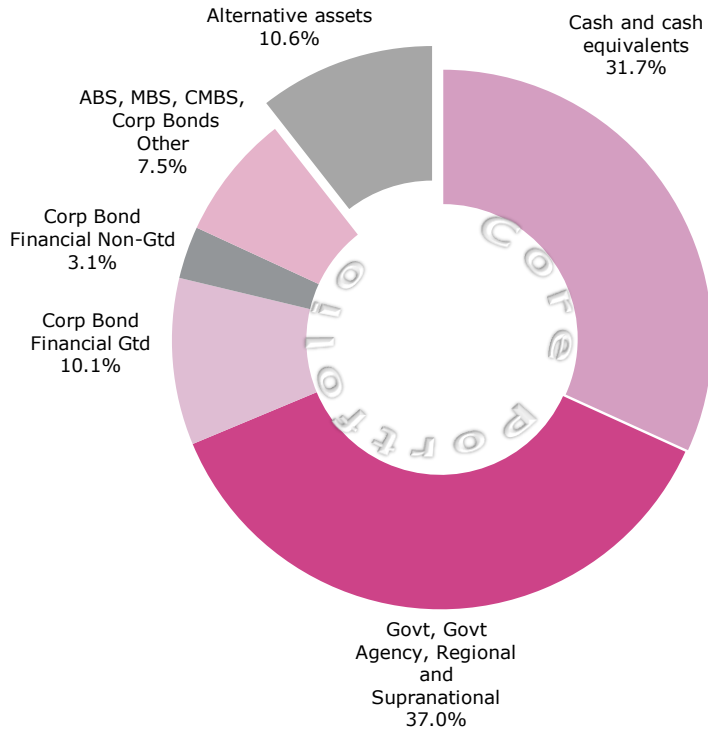
	6 months ended 30 June 2011	6 months ended 30 June 2010	% (decrease)/ increase
Gross written premiums (\$m)	924.8	940.6	(1.7)
Net written premiums (\$m)	635.5	624.7	1.7
Net earned premiums (\$m)	670.5	678.2	(1.1)
(Loss)/ profit before tax (\$m)	(24.2)	115.5	
(Loss)/ earnings per share	(1.7p)	12.6p	
Dividend per share	2.5p	2.4p	
Net assets per share (pence)	123.8p	128.4p	
Net tangible assets per share (pence)	107.5p	114.1p	

Investment returns reflect conservative portfolio

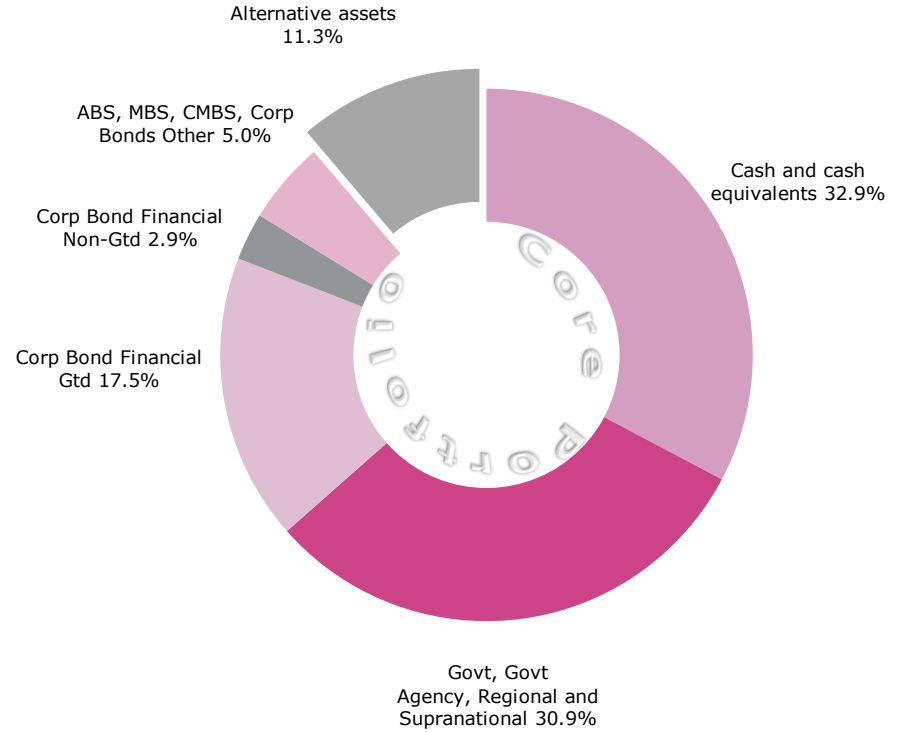


Conservative portfolio position maintained

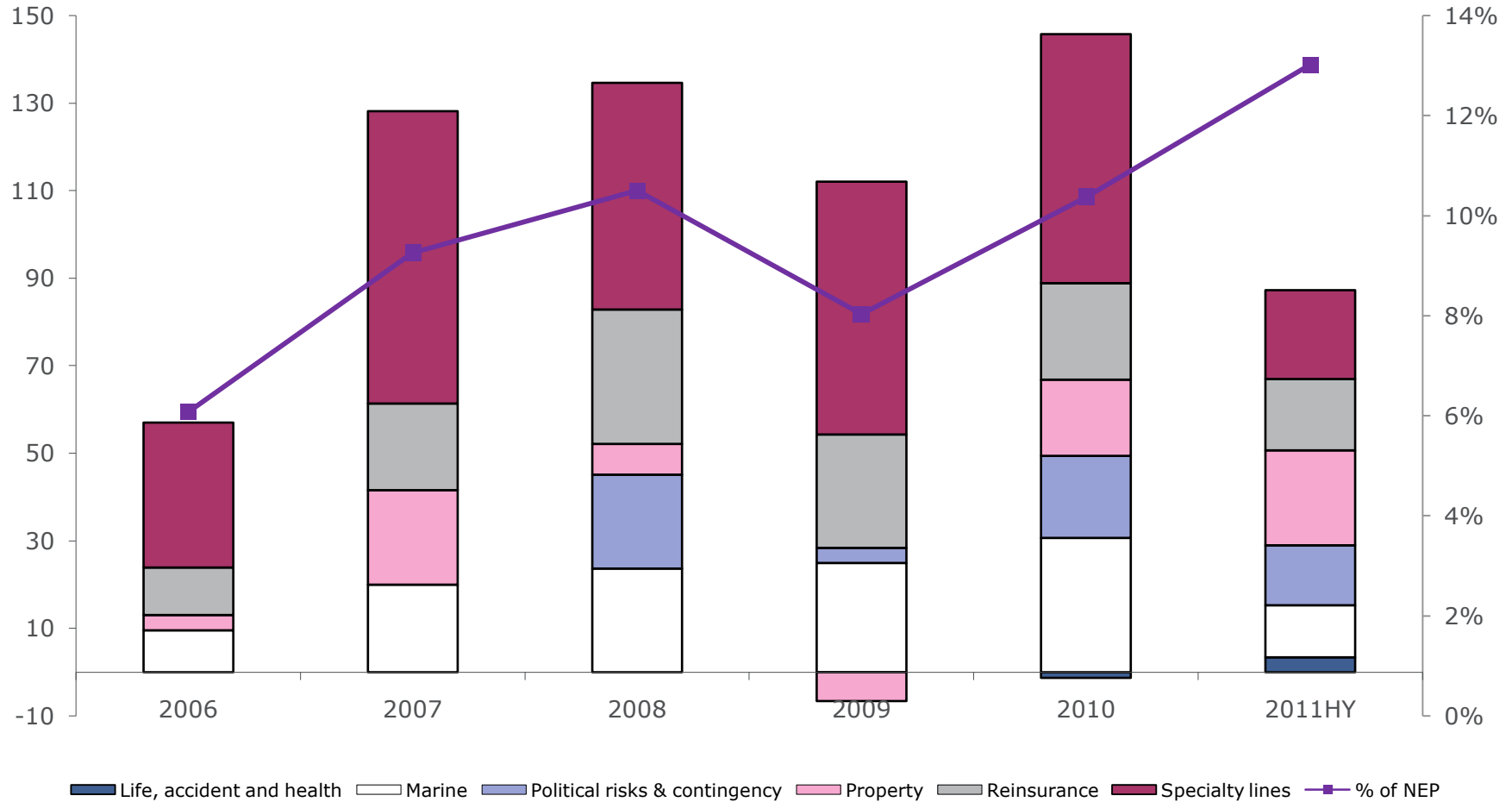
June 2011



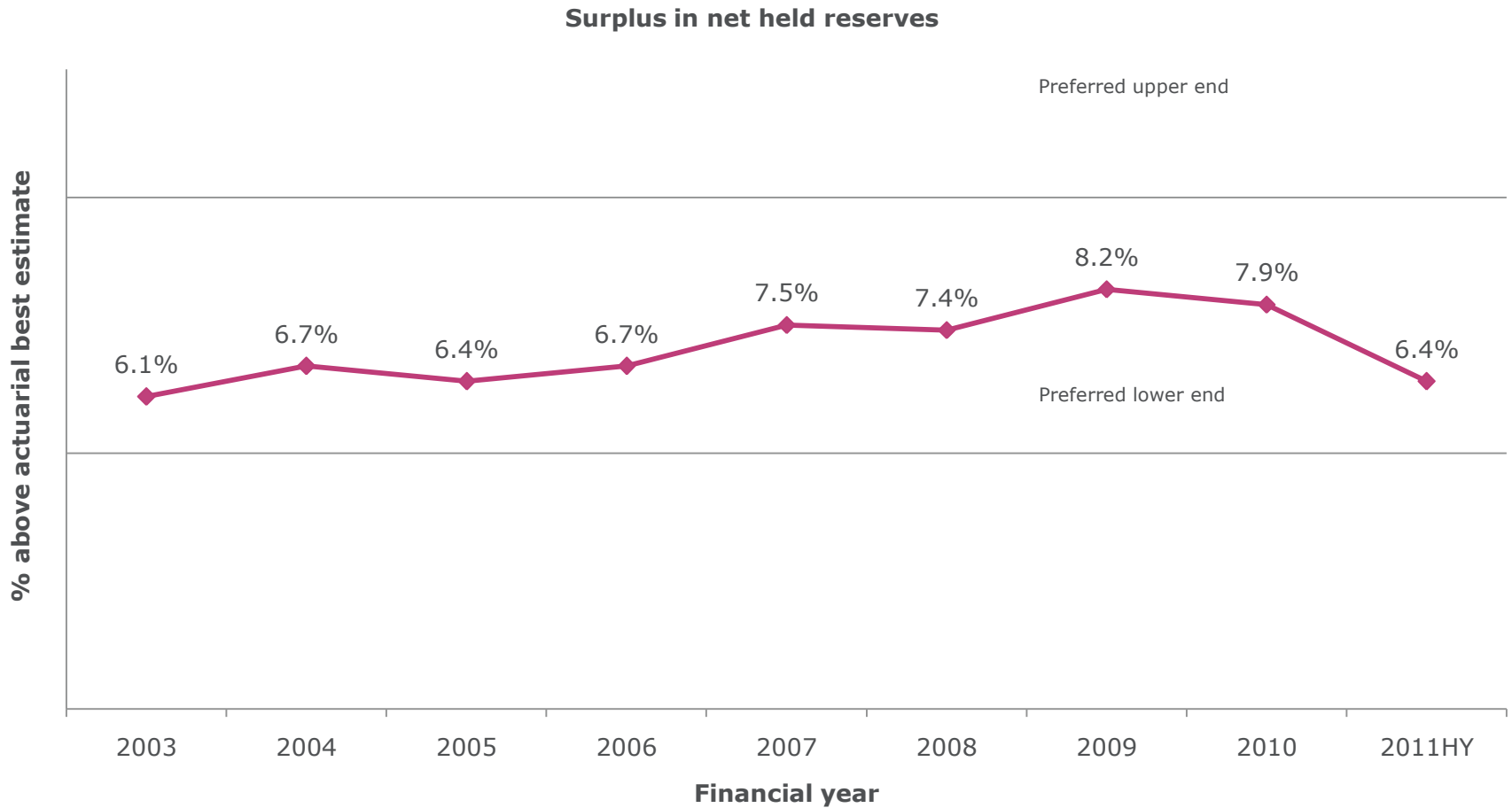
December 2010



Strong prior year reserve releases



Whole account reserve strength remains within our target range



Solvency II

- We remain on track to meet the requirements of the Solvency II regulatory regime by 1 January 2013
- We have completed the internal model rebuild for Solvency II
- Programme budget unchanged at £4.6m plus internal resource
- We are maintaining our increased capital buffer of 20%

Strong surplus capital position

	2011 HY	2010 FY
	\$m	\$m
Sources of funds		
Shareholders funds	1,011.8	1,082.9
Debt	259.9	248.8
	1,271.7	1,331.7
Uses of funds		
Lloyd's underwriting	788.0	776.9
US Insurance Company	107.7	107.7
	895.7	884.6
Surplus	376.0	447.1
Unavailable surplus	-	(80.2)
Fixed and intangible assets	(142.5)	(126.6)
Available for underwriting surplus	233.5	240.3
Unutilised banking facility	225.0	150.0

Divisional review – Political risks and contingency

Breadth of coverage

Political Risk and Trade Credit

- We mitigate our clients' cross-border risks in respect of assets, contracts, payments exposed to political force majeure events

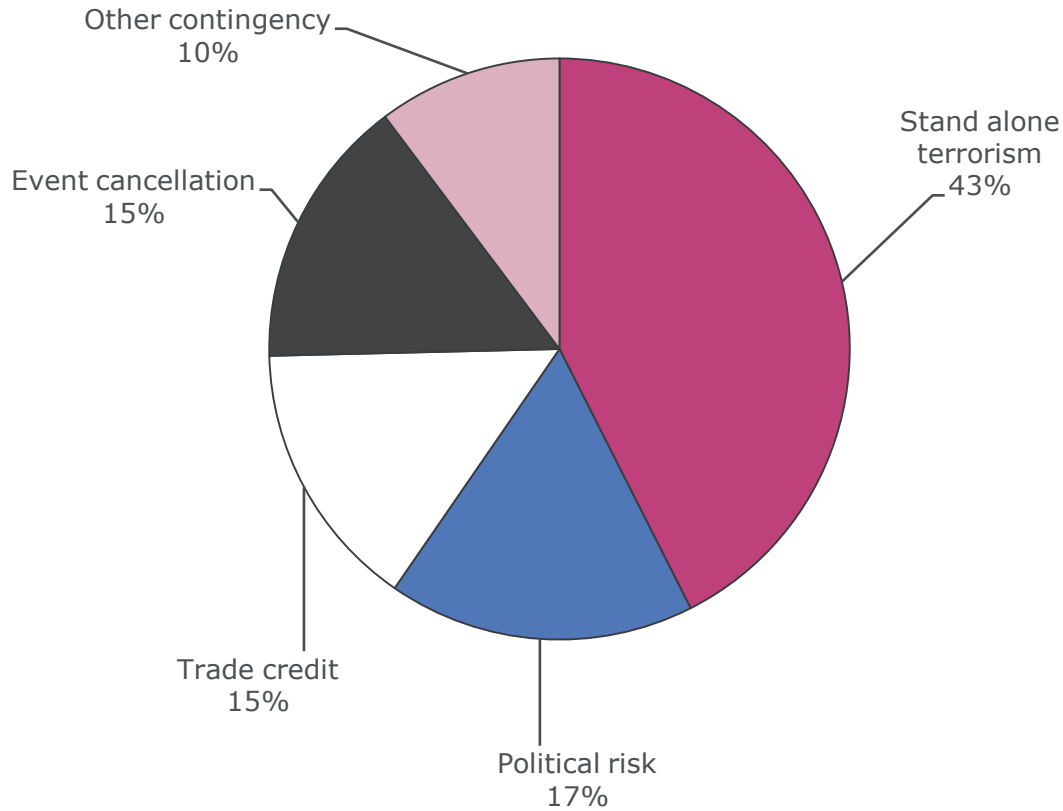
Terrorism and Political Violence

- Physical damage to almost any listed asset and occupation
- Business interruption cover flowing from such material damage

Contingency

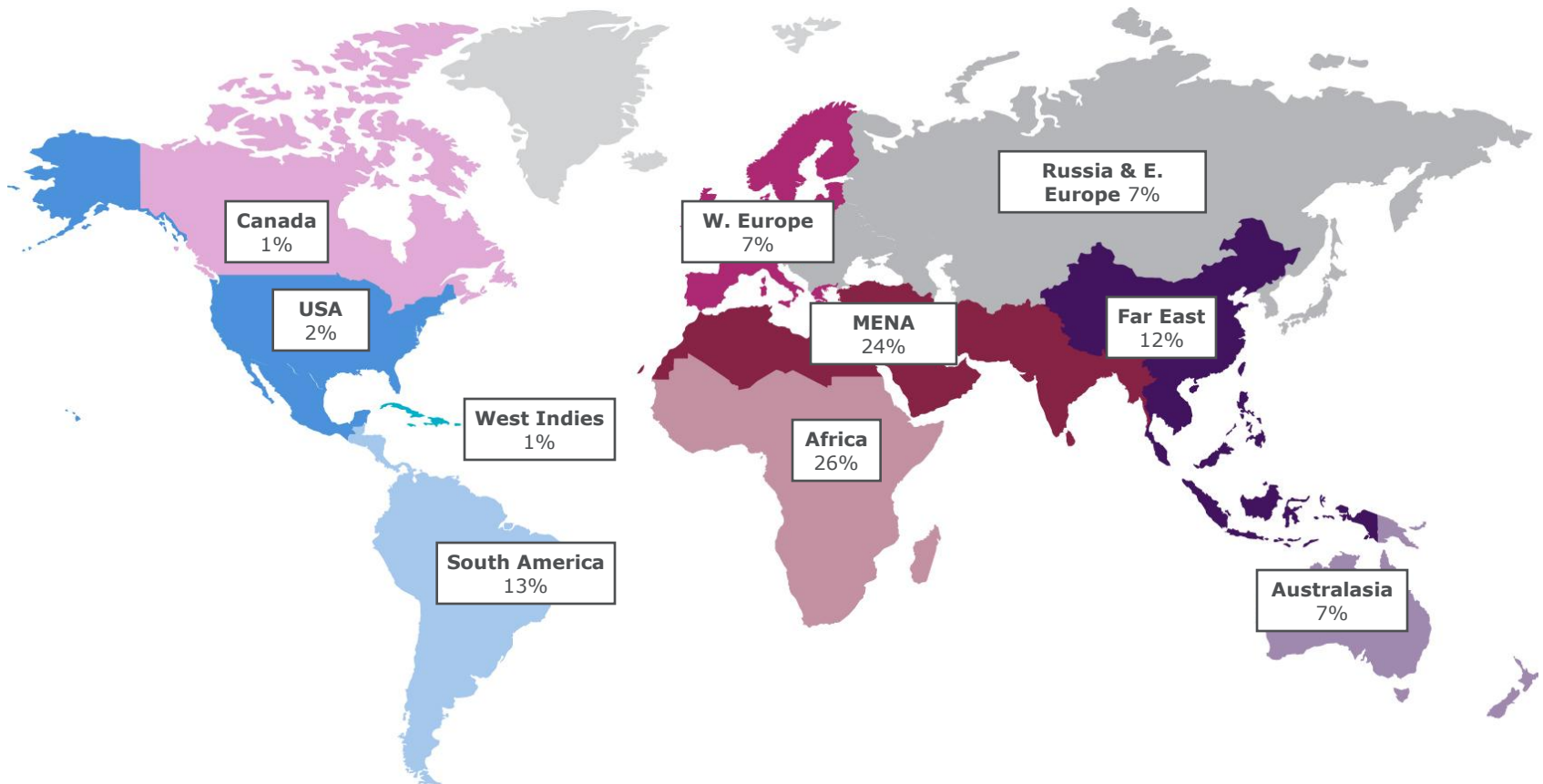
- Event cancellation
- Film and advertising agents
- Prize indemnity
- Non-appearance
- Weather

Composition of the account – 2010



Focus Groups	Dec -10 GWP (\$m)	Lloyd's Market share
Terrorism	43.4	6.8%
Political risk & trade credit	32.3	6.9%
Contingency	25.2	9.2%
Total	100.9	

Political gross exposure as at 1 January 2011



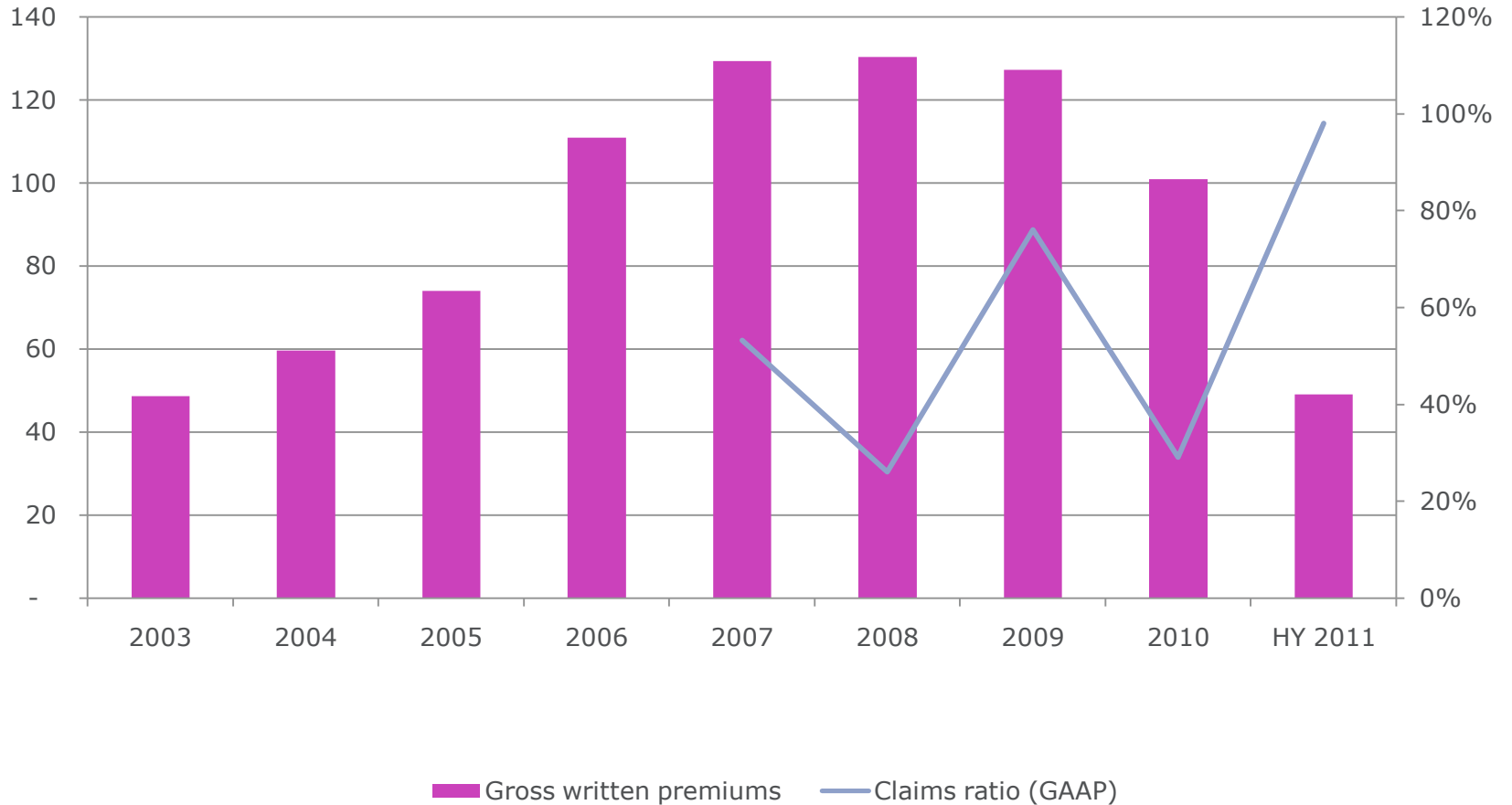
High profile contingency accounts

We have taken a lead position on or a major participation in:

- A number of formula 1 Grand prix events
- Olympics - Summer and Winter
- Rugby World Cup
- Cricket World Cup
- World championships for Alpine and Nordic Skiing
- Major Athletic Events
- Major Tennis Events

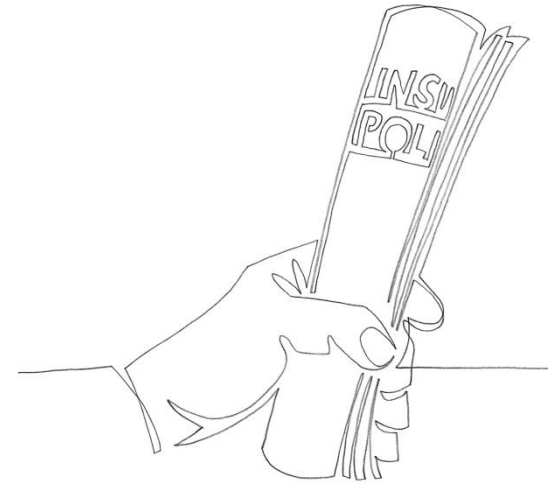


Performance 2003 – 2011 HY



Growth opportunities

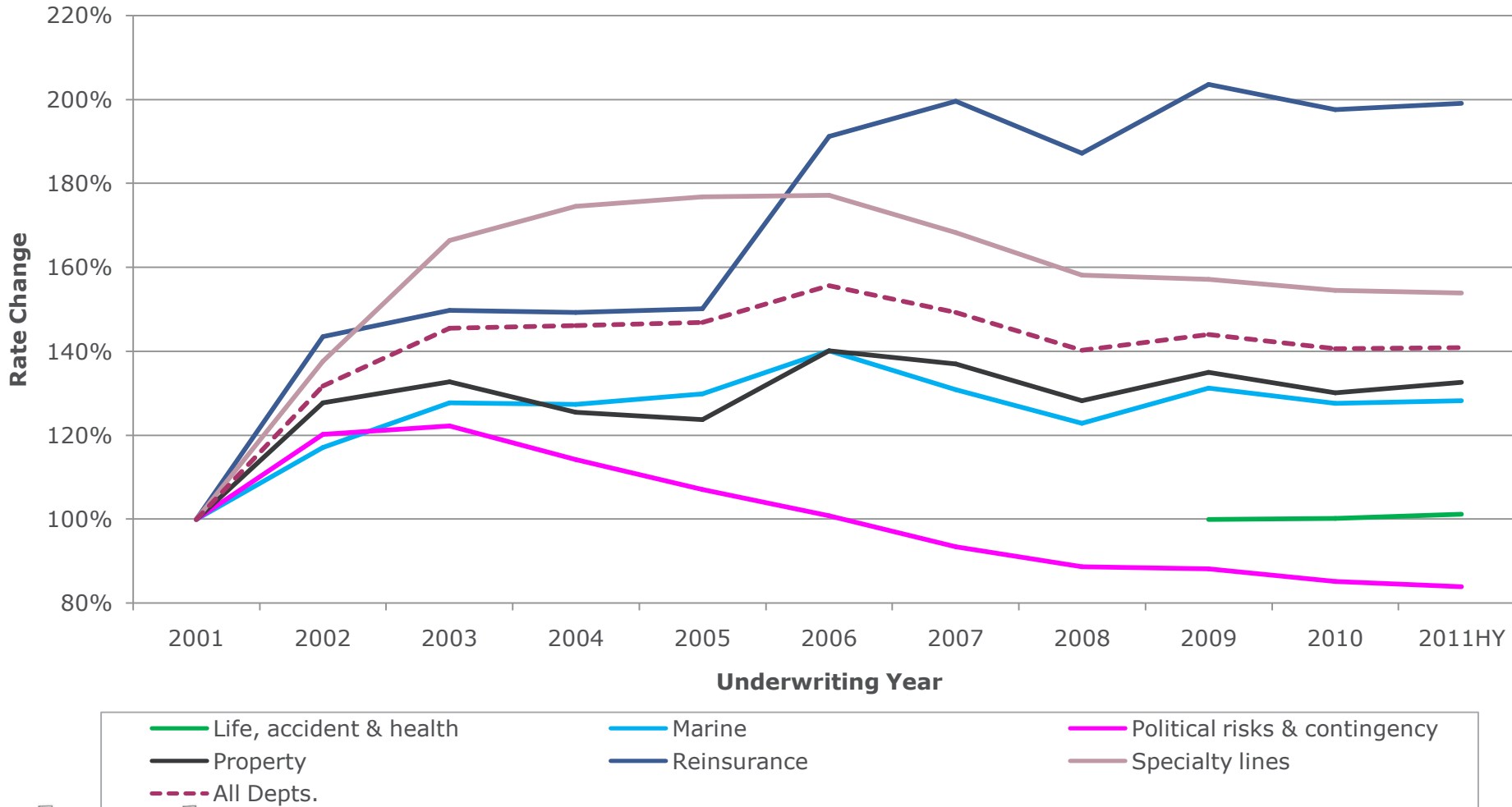
- Organic growth model based on positioning expert underwriters in locations with identifiable business flows and broker penetration.
- Political risk and contingency is expanding its presence in the following locations as part of Beazley group strategic initiatives:
 - USA (New York) for political risks/credit, terrorism and contingency
 - France (Paris) for political risks/credit
 - UK regional for contingency via Beazley Access on-line platform
- We also have underwriters in:
 - Singapore: political risks/credit, terrorism and contingency
 - Australia: contingency



Underwriting review and outlook

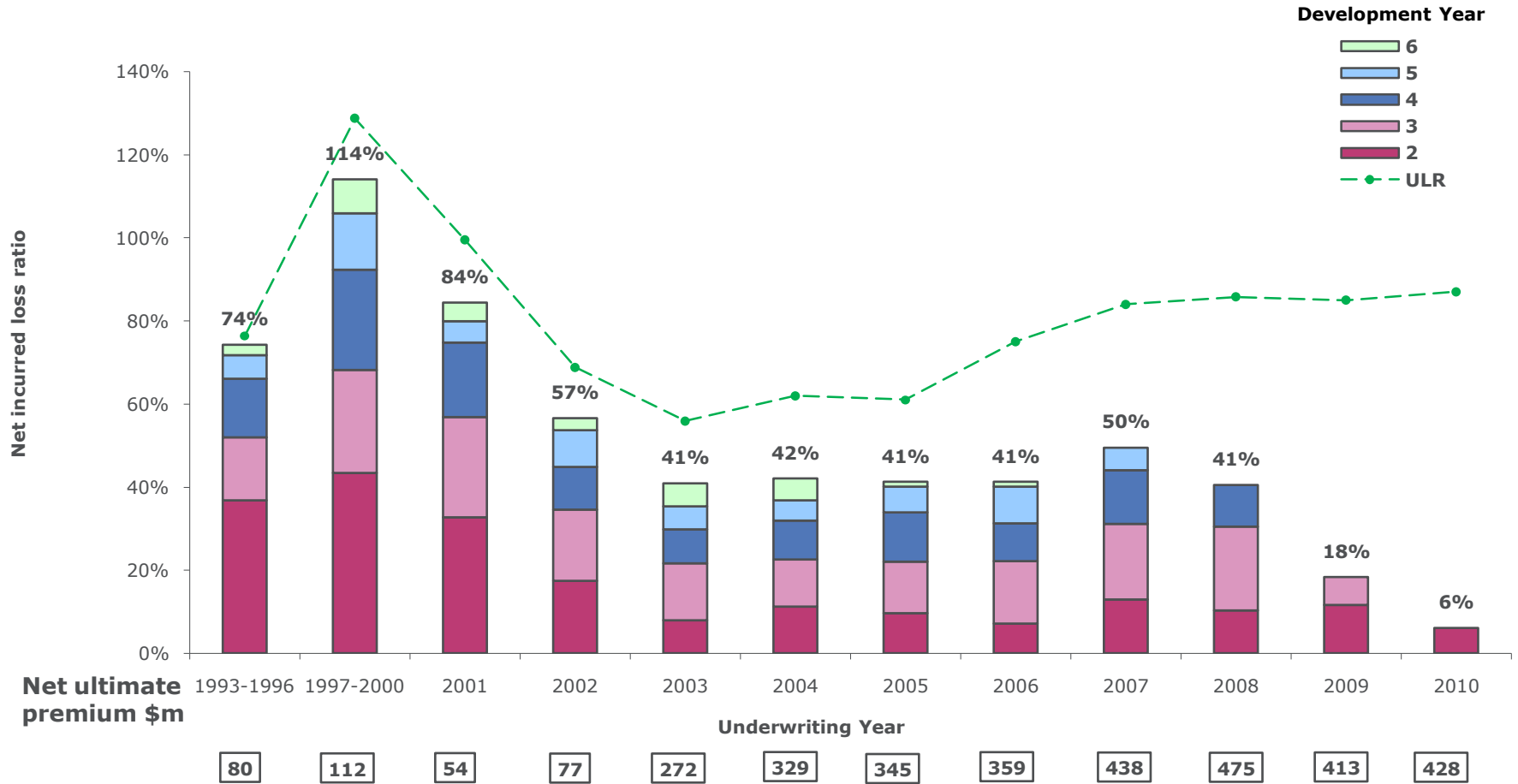
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Cumulative rate change since 2001



Incurred comparison - Specialty lines

Net incurred loss ratio at each development year



Outlook

- Underlying portfolio (excluding catastrophe business) performing well
- We continue to look for opportunities to hire talented underwriters and pick up books of business
- Most lines remain competitive
- Plan for flat premium rates overall but further catastrophes will move the market
- We are well prepared for any market turn
- In the absence of further catastrophes we reaffirm our mid-90s combined ratio guidance

Any questions?

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Appendix

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Life, accident & health

6 months ended 30 June

	2011	2010
Gross premiums written (\$m)	39.6	45.3
Net premiums written (\$m)	34.9	39.5
Net earned premiums (\$m)	34.1	30.7
Claims ratio	52%	54%
Rate change on renewals	1%	-
Percentage of business led	72%	53%

- Acquired Australian coverholder based in Sydney in April 2011

Marine

6 months ended 30 June

	2011	2010	
Gross premiums written (\$m)	154.1	149.1	• Another strong trading performance from the Marine division
Net premiums written (\$m)	127.3	123.4	• Prior year reserve releases of \$11.9m
Net earned premiums (\$m)	110.8	112.2	• New Energy underwriter recruited
Claims ratio	43%	40%	• Rate change excluding Energy is flat or slightly reducing
Rate change on renewals	1%	(5%)	
Percentage of business led	50%	49%	

Political risks and contingency

6 months ended 30 June

	2011	2010	
Gross premiums written (\$m)	48.8	55.3	<ul style="list-style-type: none"> Appointed Chris Parker to lead our terrorism and political violence team within Political risks and contingency group
Net premiums written (\$m)	34.4	45.4	
Net earned premiums (\$m)	38.5	47.1	<ul style="list-style-type: none"> Impacted by political losses in Libya in respect of contract frustration
Claims ratio	98%	46%	
Rate change on renewals	(2%)	(2%)	
Percentage of business led	69%	68%	

Property

6 months ended 30 June

	2011	2010	
Gross premiums written (\$m)	195.4	202.5	<ul style="list-style-type: none"> Property was impacted by losses in Japan and Australia Prior year reserve releases of \$21.7m
Net premiums written (\$m)	111.2	109.6	
Net earned premiums (\$m)	140.4	136.1	
Claims ratio	54%	53%	<ul style="list-style-type: none"> Positive rating outlook following catastrophe losses and change in catastrophe model assumptions
Rate change on renewals	2%	(3%)	
Percentage of business led	63%	69%	

Reinsurance

6 months ended 30 June

	2011	2010	
Gross premiums written (\$m)	135.6	135.2	<ul style="list-style-type: none"> Impacted by losses in Australia, New Zealand, Japan and the US
Net premiums written (\$m)	89.2	97.1	
Net earned premiums (\$m)	55.1	56.8	<ul style="list-style-type: none"> Rates improving across international lines and to a lower extent in the US
Claims ratio	217%	60%	
Rate change on renewals	1%	(2%)	
Percentage of business led	37%	44%	

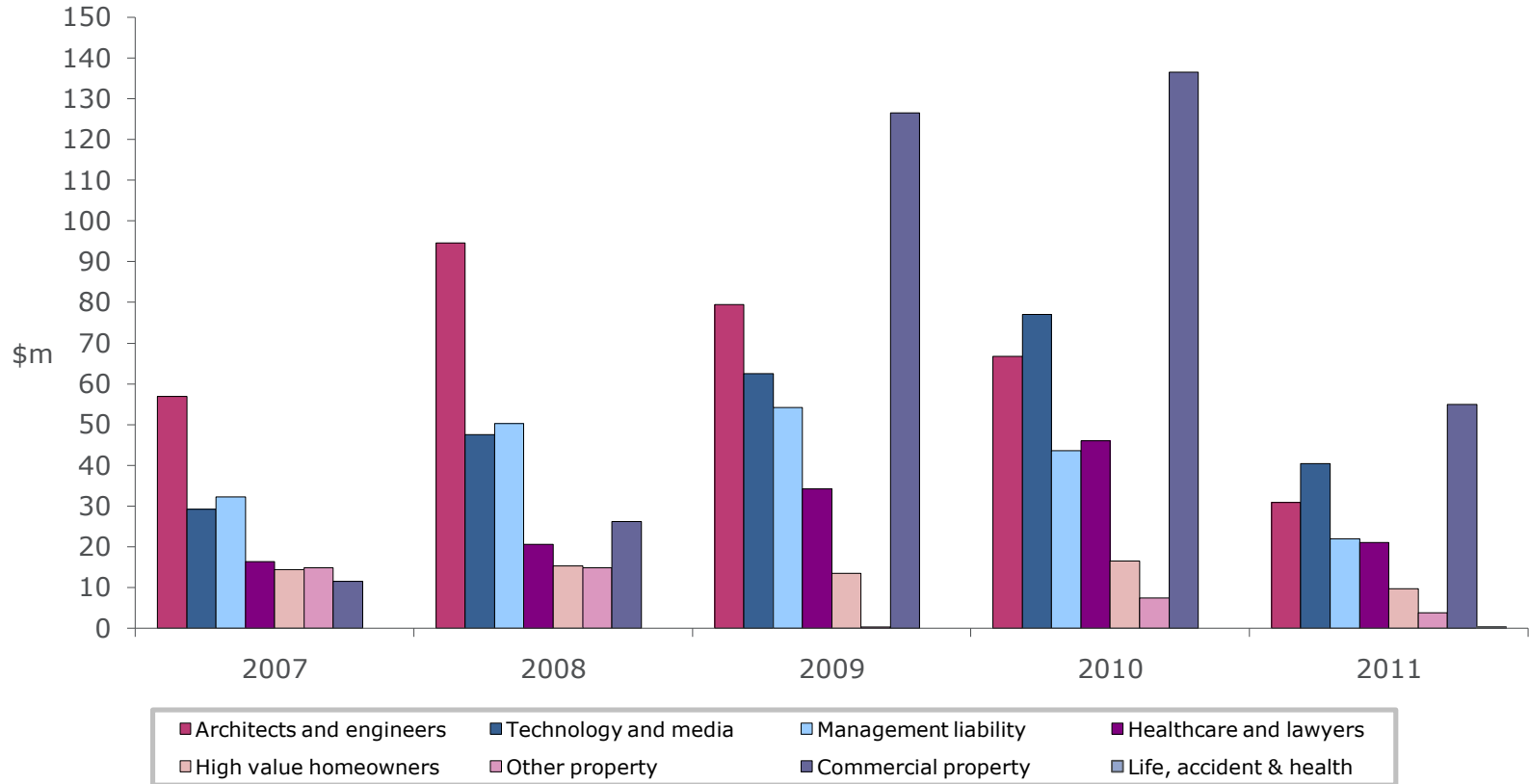
Specialty lines

6 months ended 30 June

	2011	2010	
Gross premiums written (\$m)	351.3	353.2	<ul style="list-style-type: none"> US business developing well writing \$114.1m
Net premiums written (\$m)	238.5	209.7	
Net earned premiums (\$m)	291.6	295.3	<ul style="list-style-type: none"> Prior years continue to develop well with releases of \$21.6m
Claims ratio	61%	64%	<ul style="list-style-type: none"> New products launched such as Crime, Reps and warranties and Environmental risks insurance
Rate change on renewals	(1%)	(1%)	
Percentage of business led	95%	95%	

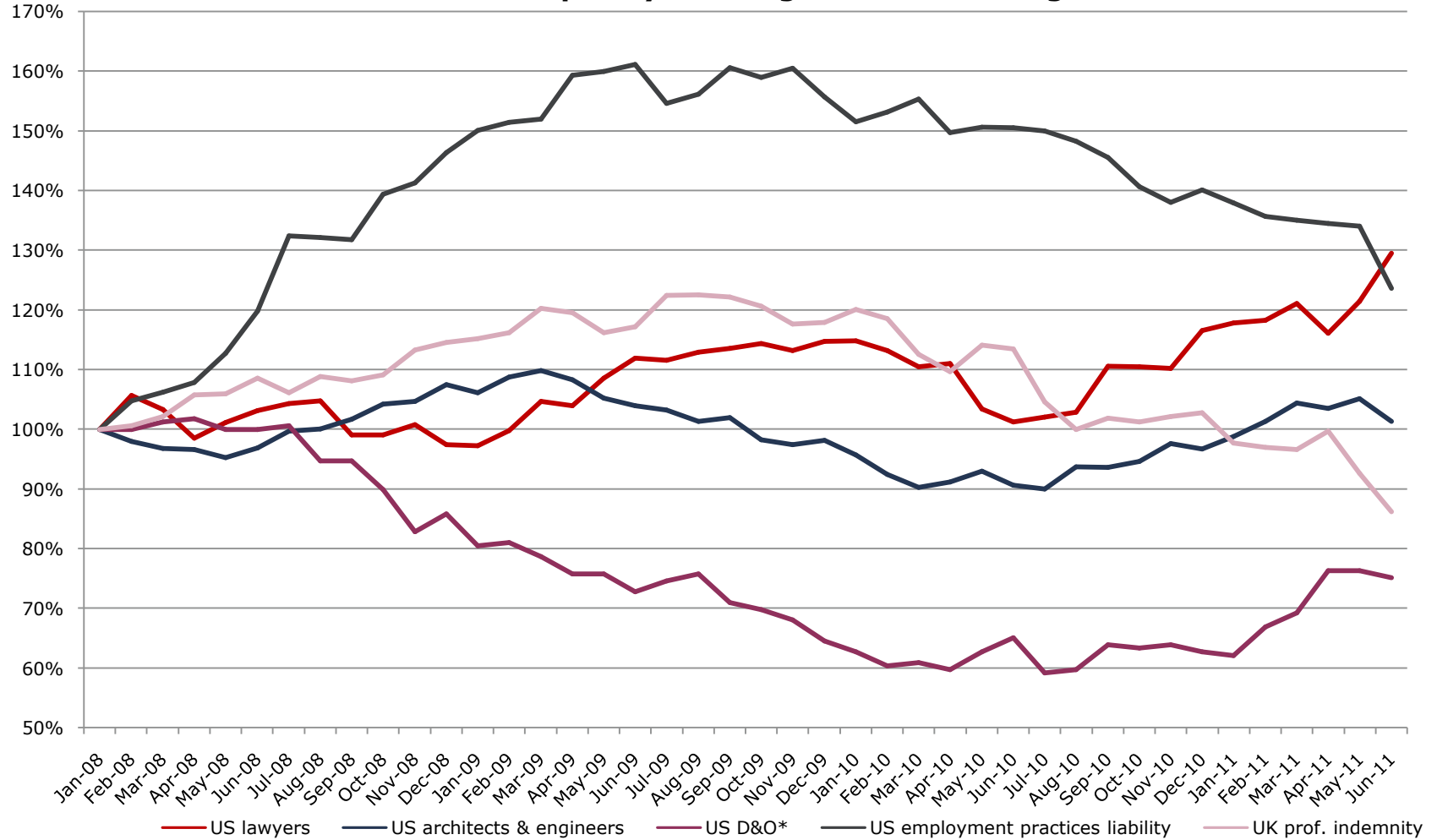
US originated business \$183m for HY 2011

GWP by Product



Claims frequency

Claims Frequency - Rolling 12 month average



*US D&O statistics are market-wide